

*HISTORY OF MODERN BANKS OF
ISSUE.*

Union, while those of the other banks had only a local circulation.¹

A branch redemption agency was established in Rhode Island, by which the Merchants' Bank of Providence received at par from the Rhode Island banks the bills of all other banks in New England and settled balances as far as possible among the Rhode Island banks. Bills issued by banks outside of Rhode Island were sent to Boston, and Rhode Island bills were sent in bulk by the Suffolk Bank to Providence. Legal encouragement was given to the Suffolk system in Vermont by the Act of 1842, which levied a tax of one per cent, upon bank capital, but remitted the tax to any bank which should " keep a sufficient deposit of funds in the City of Boston, and should at that city uniformly cause its bills to be redeemed at par." All but three of the Vermont banks were members of the system before 1848 and in 1850 all had joined. Several of the Maine banks resisted for a time and received the support of the bank commissioners in 1837, but their circulation became limited to their immediate locality and the system was commended by the commissioners in later reports.

The handsome profits derived by the Suffolk Bank from the redemption system led to several efforts to establish a rival institution. The work of the Suffolk Bank was so well done that it was not until 1855 that these efforts bore tangible fruit. The Bank of Mutual Redemption was then established for the specific purpose of redeeming the currency of the New England banks at par. The bank went into operation in 1858, with 135 New England banks interested as stockholders and thirty-five keeping a permanent deposit aggregating \$143,000. The bank was admitted to the clearing house after a struggle and most of the country

¹ " At the time when the Suffolk system was at its best I lived in Chicago. The notes of Massachusetts banks were in great request tjere. They were considered the best currency going and they bore a premium over the notes* of Illinois and Wisconsin banks." Testimony of Horace White before House Committee on Banking, House Report 1508, 5th Cong., 3d Sess., 84.